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ABSTRACT

Early retirement plans are perceived as being beneficial to school staff and financially advantageous to schools. Four out of the five assumptions on which these perceptions are based are incorrect. The one correct assumption is that early retirement will make affirmative action programs move ahead more rapidly. The incorrect assumptions are: (1) without an early retirement program, staff will work until age 65 or older; (2) replacing older teachers with younger ones will increase productivity; (3) less productive teachers are most likely to take early retirement; and (4) replacing a high-priced teacher with one who makes less will save schools money. The realities are that the average age of retirement without such a plan is often several years younger than 65, that most of the teachers taking early retirement seem to be the best and most productive employees, and that cost savings are realized only when the employee is not replaced and no stipend is given to the early retiree. (DC)

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Early retirement is *not* the cat's meow

TOP SCHOOL executives always are on the lookout for management tools that can be financially advantageous to schools *and* beneficial to school staff members. Early retirement for long-time employes is one such tool that has been touted in recent years for use in business and industry as well as in public schools (see *Voluntary early retirement is a painless way to prune your faculty*, October 1980). Before too many superintendents get caught up in this early retirement tide, I'd like to point out some of what I think are often-overlooked flaws in the theory of early retirement—flaws that can make these programs unsuitable for use in public schools.

Early retirement plans normally are "pitched" as a way to bring enthusiastic, young teachers or other employes on staff; to rid schools of burned-out, less-productive employes; and to save schools money (because newer teachers theoretically earn less than more experienced teachers).

Because of these perceived advantages, most early retirement plans tend to be based on five assumptions:

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1. Teachers or other employes will work until age 65 or older unless they are provided with an early retirement option.

2. Replacing an older teacher with a younger one will increase teaching productivity.

3. Less-productive teachers are the ones most likely to avail themselves of the early retirement option.

4. Early retirement will make affirmative action programs move ahead more rapidly.

5. Replacing a high-priced teacher with one paid a much lower salary will save the schools money.

For several years, I've made it a practice to check with school districts to see if those assumptions are accurate. My findings: Four of the five assumptions often are incorrect. Most districts I've investigated, for example, never have documented when teachers retire (Assumption No. 1); when they have, they frequently have been surprised to learn the average age of retirement is several years *younger* than 65. In my own school system, for example, the average retirement age for teachers is 61 and going down. As a result, projected cost savings based on teachers working until age 65 are considerably off the mark.

Many administrators will not comment for the record on the productivity of newer teachers or the tendency of less-productive teachers to take advantage of early retirement (Assumption Nos. 2 and 3). Privately, however, most superintendents and personnel directors I've talked to lament that the majority of teachers who take early retirement are their *best and most productive* employes. The teachers administrators would like to see retire early tend to stick around indefinitely.

Assumption No. 4—that early retirement programs will make affirmative action goals easier to attain—is by far the most valid. Encouraging teachers to retire early can speed compliance with such goals, I believe, provided that qualified women and minority candidates can be found for the newly opened positions.

As for cost savings (Assumption No. 5), I believe they will be realized under only two conditions: first, when the teacher or other employe who takes early retirement is not replaced; and second, when no monetary stipend of any kind is given to the early retiree.

Every school system's early retirement plan is different, of course, but most provide a financial incentive to those who want to take advantage of the early retirement option. These incentives are common:

☐ The teacher or other employe is retained as a consultant to the school system for a given number of days or months per year, for a given number of years, and the employe receives a specified stipend for this service.

☐ The school system provides a bonus—either a set amount or a certain amount per year—at the time of retirement.

☐ The school system agrees to pay the premium for some combination of medical and health benefits for the teacher (and in some cases, the teacher's dependents) until the employe reaches a certain age. This age usually is either 65 or the age at which the teacher qualifies for Medicare.

If a monetary stipend of any kind is paid, I believe, the schools will pay out *more* over the long run than if no early retirement program existed. This statement might seem to fly in the face of logic: When you replace a $25,000 teacher with a $15,000 teacher, don't you save money? Sadly, the answer is both Yes and No.

In private industry, where there might be no set salary schedule and where management has control over salaries within a given range, it might

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be possible to keep costs from escalating. In public schools, however, where teachers are placed on a salary schedule and routinely move from one step to the next, the savings are valid only for a period of from five to eight years. After that, there is a crossover in the amount paid to a teacher replacing an early retiree versus the amount paid to a teacher replacing someone who retires at the "normal" time. The crossover point, I believe, generally can be determined by subtracting the age at which a teacher takes early retirement from the average age at which teachers normally retire, and then adding one year. In the Fremont (California) schools, for example, the average retirement age is 61; if a teacher retires at 55, the crossover point comes at the end of the seventh year. That means that after seven years, the "new" teacher will be earning the same (or nearly the same) salary as the retiree—plus, the retiree might *still* be receiving some remuneration or other benefit from the schools for volunteering to retire early.

In my informal discussions with school superintendents, I've been unable to find a single one who can demonstrate the long-term savings of early retirement—savings that extend beyond the first five to eight years. Also, no one yet has disputed my calculations that show if only 2 percent of the 1,100 teachers in the Fremont schools were granted early retirement and paid $5,000 for each year they are younger than the normal retirement age of 61, the school system in the next 30 years would end up paying out $4.2 million *more* in salaries than if no early retirement program existed.

Early retirement, of course, does have its place. It is financially beneficial if the school system does not have to replace those who take early retirement. And it helps create job openings for school systems that are trying to increase the number of women and minority staff members. In these days of an ever-tightening money supply for schools, however, school executives would do well to investigate the long-range cost implications of any proposed or currently operating early retirement program. Failure to do so, I believe, could lead the unwary or their successors into a budget booby trap. ■

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